

State of North Carolina

Valuation Research Corporation

Wake County

Federal Tax Id #: 39-1214928

CONTRACT FOR APPRAISAL SERVICES RELATED TO THE NORTH CAROLINA ALCOHOLIC BEVERAGE CONTROL SYSTEM

This CONTRACT FOR APPRAISAL SERVICES (this "Contract"), made February 26, 2010, between Valuation Research Corporation, (the "Contractor"), and the North Carolina Alcoholic Beverage Control Commission (the "Commission"), an Agency of the State of North Carolina ("State") (referred to collectively as the "Parties").

PREMISES

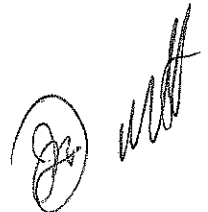
WHEREAS the Commission and the State of North Carolina desire to know for policy-making purposes the following:

- A. The valuation of the State's current warehouse system of receipt, storage, and distribution of spirituous liquor - the existing Wholesale Function; and
- B. The valuation of the State's current system for the sale of spirituous liquor by the local ABC stores to the public and for the regulation thereof - the existing Retail Function; and
- C. The valuation of various alternative models to the current system ("Scenarios for Valuation Analysis") - changes to the existing wholesale and/or existing retail functions; and

WHEREAS

- D. The Contractor in a proposal dated January 26, 2010 and last amended on February 24, 2010 offered to provide appraisal services relating to the valuation of the exiting wholesale and retail functions of North Carolina's current Alcoholic Beverage Control System; and also provide appraisal services relating to the valuation of various alternative models to the current system; and
- E. The Contractor has offered to perform the appraisal services and valuation analysis to provide the Commission and the State with the Fair Market Value for the existing wholesale and retail functions of the current system as well as the Fair Market Value for various alternative models to the current system; and
- F. The Contractor has proposed to provide a report outlining the conclusions and findings of the valuation analysis, including supporting methodologies and assumptions used in making the various conclusions and findings; and
- G. The Parties acknowledge and agree that the contractor will reach a conclusion and issue an opinion utilizing methods and assumptions of appraisal and valuation generally accepted in the industry, and further that Contractor's expert opinion is not a guarantee, and is intended solely for the use of the State for policy-making purposes and as such is not intended to be relied upon by third parties; and
- H. The parties hereto desire to reduce the terms of this agreement to writing;

NOW, THEREFORE, for and in consideration of the mutual promises to each other, as set forth herein, the Parties hereto agree as follows:



ARTICLE I CONSTRUCTION

SECTION 1.1 Contract Documents: This Contract consists of the following documents:

- A. This Contract
- B. The General Terms and Conditions (Attachment 1)
- C. The Scope of Work - Description of Services (Attachment 2)
- D. Estimated Budget (Attachment 3)
- E. Authorized Expense Schedule (Attachment 4)
- F. Key Personnel (Attachment 5)

These documents constitute the entire agreement between the Parties and supersede all prior oral or written statements or agreements.

SECTION 1.2 Precedence Among Contract Documents:

In the event of a conflict between or among the terms of the Contract Documents, the terms in the Contract Document with the highest relative precedence shall prevail. The order of precedence shall be the order of documents as listed in Paragraph 1.1, above, with the first-listed document having the highest precedence and the last-listed document having the lowest precedence. If there are multiple Contract Amendments, the most recent amendment shall have the highest precedence and the oldest amendment shall have the lowest precedence.

ARTICLE II GENERAL TERMS AND CONDITIONS

SECTION 2.1

The General Terms and Conditions set out in this ARTICLE supplement the General Terms and Conditions set out in Attachment 1.

SECTION 2.2 Effective Period:

This contract shall be effective on February 26, 2010 and shall terminate eight (8) weeks thereafter.

SECTION 2.3 Contractor's Duties:

- A. The Contractor shall provide the services as described and in accordance with the time table provided in Attachment 2., Scope of Work - Description of Services.
- B. The Contractor shall, on weekly basis, submit to the Commission's Contract Administrator for approval a progress report via email by midnight on Thursday containing a review of the work completed during the previous week; the status of the work actually completed in relation to the time table set out in Attachment 2. Paragraph C. 2. "Milestones"; and a forecast of the scheduled work for the week upcoming, including any requests for information needed to proceed to the next Milestone.
- C. Contractor shall on a semi-monthly basis invoice the Commission for the work satisfactorily completed during the previous two-week period. Contractor shall provide detail as to the tasks completed and/or the progress made in relation to the "Process" and "Milestones" time tables in Paragraph C. of Attachment 2. In addition, Contractor shall submit an itemized report of authorized reimbursable expenses incurred during the previous two-week period.
- D. Upon Contractor's due diligence and/or subsequent communication with the Contract Administrator, if it is determined that the scope of services outlined in Attachment 2. of the Contract changes materially and substantially, Contractor will notify the Commission of such changes and adjustment in fees estimated before proceeding with any expansion in the scope of service.

SECTION 2.4 Commission's Duties

- A. The Commission shall use best efforts to provide the Contractor with requested information and access to key Commission personnel in a timely manner, including personnel who can provide Contractor with background information concerning the current alcoholic beverage control system from an operational, financial, sales and marketing perspective.
- B. The Commission shall promptly provide to the Contractor copies of all research and data previously conducted by the North Carolina Office of State Management and Budget ("OSMB") concerning the value of the current alcoholic beverage control system. The Commission shall not pay the Contractor for duplication of the work completed in the OSMB study.
- C. The Commission shall pay the Contractor in the manner and in the amounts specified in Article V, "Compensation" and Attachment 2. of this Contract. The total amount paid by the Commission to the Contractor under this contract shall not exceed \$ 175,000.00 plus reasonable authorized expenses.

SECTION 2.5 Subcontracting

Contractor has engaged the services of Scott Balice Strategies (SBS) as a subcontractor. Lois Scott, President of SBS shall be considered key personnel under the general terms and conditions of this Contract as set out in Article IV and Attachments 1. and 5.

SECTION 2.6 Confidentiality

Contractor agrees that all information, data, documents, studies or reports assembled by the Contractor under this Contract or made available to the Contractor will be used solely in the course of the performance of the Contractor's services under this Contract. Except as otherwise required by law or judicial or regulatory process, or other applicable supervisory, judicial or governmental order or authority, the Contractor shall not, and shall not permit any of its employees, agents or representatives to, disclose this information to a third party without the prior written consent of the Commission. Contractor shall be responsible for any breach of the foregoing by any of its agents or representatives. The information covered by the foregoing obligations does not include information that (a) was or becomes generally available to the public other than as a result of a disclosure by the Contractor or (b) was or becomes available to the Contractor on a non-confidential basis from a source other than the Commission or their respective advisors, provided that such source was not known by the Contractor to be bound by any agreement with the Commission to keep such information confidential. The Contractor agrees that, in the event of a breach of the foregoing by the Contractor or any of its agents or representatives, the Commission shall have the right to (c) demand the immediate return of all nonpublic information, (d) recover its actual damages incurred by reason of such breach, including, without limitation, its reasonable attorneys' fees and costs of suit, (e) obtain injunctive relief to prevent such breach or otherwise to enforce the foregoing (without the necessity of posting bond or other security or proving damages) and (f) pursue any other remedy available at law or in equity. The provisions of this paragraph shall survive any termination or expiration of this engagement.

Contractor's report or name may not be referenced, quoted, or otherwise disclosed in any public filing without our prior written consent. Contractor is under no duty or obligation to consent to the inclusion of references to Contractor's report or to Contractor's name in any public filing, including consenting to being referenced as an "expert" as used in the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission promulgated there under.

SECTION 2.7 Conflict of Interest Policy:

The Commission has determined that this contract is not subject to N.C.G.S. 143C-6-22 & 23.

SECTION 2.8 Reporting Requirements:

The Commission has determined that this is a contract for purchase of goods or services, and therefore is exempt from the reporting requirements of N.C.G.S. § 143C-6-22 & 23.

SECTION 2.9 Outsourcing:

The Contractor certifies that it has identified to the Commission all jobs related to the Contract that have been outsourced to other countries, if any. Contractor further agrees that it will not outsource any such jobs during the term of this Contract without providing notice to the Division.

SECTION 2.10 Signature Warranty:

The undersigned represent and warrant that they are authorized to bind their principals to the terms of this agreement.

SECTION 2.11 Executive Order # 24:

N.C.G.S. § 133-32 and Executive Order 24 prohibit the offer to, or acceptance by, any State Employee of any gift from anyone with a contract with the State, or from any person seeking to do business with the State. By execution of any response in this procurement, you attest, for your entire organization and its employees or agents, that you are not aware that any such gift has been offered, accepted, or promised by any employees of your organization."

ARTICLE III DEFINITIONS

SECTION 3.1 DEFINITIONS

- A. The Contract Administrator shall mean the chairman and/or administrator of the North Carolina Alcoholic Beverage Control Commission.
- B. The State shall mean the State of North Carolina and the North Carolina Alcoholic Beverage Control Commission as an Agency or in its capacity as the award authority.
- C. The System shall mean the State's current alcoholic beverage control system for regulating the receipt, storage, distribution and sale of spirituous liquor.
- D. Scenarios shall mean all system models posed for study and valuation analysis by the Contractor including; the current alcoholic beverage control System as well as the alternative models, all of which are set out in Attachment 2. to this contract.
- E. Fair Market Value shall mean the price at which an asset would exchange hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of the relevant facts.
- F. Wholesale Function shall mean those portions of the alcoholic beverage control System currently consisting of the receipt and storage of spirituous liquor at the State's bailment warehouse located in Raleigh, North Carolina and the subsequent distribution of the liquor to the local ABC retail stores.
- G. Retail Function shall mean the storage of spirituous liquor by the local ABC board and its sale to the public from the various ABC stores run by the local ABC board. The Retail Function also includes regulation through local ABC law enforcement and/or contracted law enforcement.
- H. Award Authority – The North Carolina Alcoholic Beverage Control Commission.
- I. Valuation Date – The date in time upon which the Contractor's valuation analysis is based.



**ARTICLE IV
CONTRACT SPECIFICATIONS**

SECTION 4.1 SCOPE OF WORK – DESCRIPTION OF SERVICES

The Contractor shall provide the services as described in Attachment 2. Scope of Work – Description of Services and in accordance with the time tables set out under Paragraph C. 1. "Process" and C. 2 "Milestones" of Attachment 2.

SECTION 4.2 KEY PERSONNEL

The Contractor shall not substitute key personnel assigned to the performance of this contract without prior written approval by the Commission's Contract Administrator. The individuals designated as key personnel for purposes of this Contract are; Bryan H. Browning, James T. Budyak, Anthony D. Law, John C. Bintz, William J. Hughes and Lois Scott as specified in Attachment 5.

**ARTICLE V
COMPENSATION, FEES and EXPENSES**

SECTION 5.1 Payment

This Contract is a Results, Time and Expense contract. Payment shall be made in accordance with this Article and the payment provisions contained in Attachment 2. Scope of Work – Description of Services. Contractor shall be paid for the timely and satisfactory completion of each phase of the services described in the time tables set out under Paragraph C. 1. "Process" and C. 2. "Milestones" of Attachment 2.

The Parties acknowledge and agree that the Contractor's fees are not contingent on the levels of value concluded, the outcome of any litigation, or the consummation of any transaction with respect to this matter.

SECTION 5.2 Stop Payment

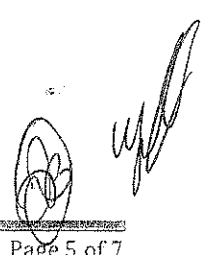
- A. The Commission shall have the authority to stop payment of any invoice if the Commission's Contract Administrator determines that the work of the Contractor is unsatisfactory or the progress of the work unreasonably behind schedule established in the time tables set out under Paragraph C. 1. "Process" and C. 2. "Milestones" of Attachment 2.
- B. If after the conclusion of eight (8) weeks the Contractor has not satisfactorily completed the work as described in Attachment 2. the Commission shall have the right to stop payment. Contractor shall not continue work beyond the eight (8) week contract term without written permission of the Commission's Contract Administrator.

SECTION 5.3 Expenses

Contractor's reasonable expenses for travel, mileage, meals and lodging shall be reimbursed at the State employee per diem rate as described in Attachments 1 and 4. Expenses incurred over and above the allowable rate shall be the responsibility of the Contractor. Commission shall reimburse Contractor's reasonable Data Charges. Contractor has estimated that its Data Charges for this contract will be \$5,425.00. Data Charge expense over and above this estimate shall be the responsibility of the Contractor.

SECTION 5.4 Fees in Event of Litigation

If services arising from litigation become necessary, including depositions and expert testimony (whether by agreement or by subpoena), Commission agrees that they will pay Contractor's current hourly rate of \$350.00 for the person(s) involved in all related meetings, conferences, and reasonable preparation time for such events, plus reasonable expenses. Reasonable expenses shall be reimbursed at the State employee per diem rate in accordance with Expense Schedule in Attachment 4.



Contract Administrators:

All notices permitted or required to be given by one Party to the other and all questions about the contract from one Party to the other shall be addressed and delivered to the other Party's Contract Administrator. The name, Post office address, street address, telephone number, fax number, and email address of the Parties' respective initial Contract Administrators are set out below. Either Party may change the name, post office address, street address, telephone number, fax number, or email address of its Contract Administrator by giving timely written notice to the other Party.

For the Commission:

IF DELIVERED BY US POSTAL SERVICE	IF DELIVERED BY ANY OTHER MEANS
Jonathan Williams - Chairman NC ABC Commission 4307 Mail Service Center Raleigh, NC 27699-4307 Telephone (919) 779-0700 ext. 246 Fax (919) 661-6165 Email: jon.williams@abc.nc.gov	Mike Herring - Administrator NC Commission Street Address 3322 Garner Road Raleigh, NC 27610 Telephone (919) 779-0700 ext. 247 Fax (919) 661-6165 Email: mike.herring@abc.nc.gov

For the Contractor:

IF DELIVERED BY US POSTAL SERVICE	IF DELIVERED BY ANY OTHER MEANS
Bryan H. Browning Project Manager Valuation Research Corporation 200 West Madison Street, Suite 2850 Chicago, Illinois 60606 Telephone: (414) 221-6249 Fax Email: bbrowning@valuationresearch.com	Bryan H. Browning Project Manager Valuation Research Corporation 200 West Madison Street, Suite 2850 Chicago, Illinois 60606 Telephone: (414) 221-6249 Fax Email: bbrowning@valuationresearch.com

In Witness Whereof, the Contractor and the Commission have executed this contract in duplicate originals, with one original being retained by each party.

Valuation Research Corporation

Signature

February 26, 2010

Date

William Hughes

Sr. Managing Director & Co-CEO

Printed Name

Title

WITNESS

Signature

February 26, 2010

Date

John C. Bintz

Managing Director

Printed Name

Title

North Carolina Alcoholic Beverage Control Commission

Signature

February 26, 2010

Date

Jonathan S. Williams

Chairman

Printed Name

Title

WITNESS

Signature

2-26-10

Date

Fred A. Gregory

Chief Legal Counsel

Printed Name

Title

Approved as to Form:

Roy Cooper, Attorney General

By

Attachment 1
General Terms and Conditions

Relationships of the Parties

Independent Contractor: The Contractor is and shall be deemed to be an independent contractor in the performance of this contract and as such shall be wholly responsible for the work to be performed and for the supervision of its employees. The Contractor represents that it has, or shall secure at its own expense, all personnel required in performing the services under this agreement. Such employees shall not be employees of, or have any individual contractual relationship with, the Commission or the State.

Subcontracting: The Contractor shall not subcontract any of the work contemplated under this contract without prior written approval from the Commission. Any approved subcontract shall be subject to all conditions of this contract. Only the subcontractors specified in the contract documents are to be considered approved upon award of the contract. The Commission shall not be obligated to pay for any work performed by any unapproved subcontractor. The Contractor shall be responsible for the performance of all of its subcontractors.

Assignment: No assignment of the Contractor's obligations or the Contractor's right to receive payment, hereunder shall be permitted. However, upon written request approved by the issuing purchasing authority, the State may:

- (a) Forward the Contractor's payment check(s) directly to any person or entity designated by the Contractor, or
- (b) Include any person or entity designated by Contractor as a joint payee on the Contractor's payment check(s).

In no event shall such approval and action obligate the State to anyone other than the Contractor and the Contractor shall remain responsible for fulfillment of all contract obligations.

Beneficiaries: Except as herein specifically provided otherwise, this contract shall inure to the benefit of and be binding upon the parties hereto and their respective successors. It is expressly understood and agreed that the enforcement of the terms and conditions of this contract, and all rights of action relating to such enforcement, shall be strictly reserved to the Commission and the named Contractor. Nothing contained in this document shall give or allow any claim or right of action whatsoever by any other third person. It is the express intention of the Commission and Contractor that any such person or entity, other than the Commission or the Contractor, receiving services or benefits under this contract shall be deemed an incidental beneficiary only.

Indemnity and Insurance

Indemnification: The Contractor agrees to indemnify and hold harmless the Commission, the State of North Carolina, and any of their officers, agents and employees, from any claims of third parties arising out of any act or omission of the Contractor in connection with the performance of this contract.

- (a) **Insurance:** During the term of the contract, the Contractor shall provide, at its sole cost and expense, commercial insurance of such types and with such terms and limits as may be reasonably associated with the contract. At a minimum, the Contractor shall provide and maintain the following coverage and limits:
 - (1) **Worker's Compensation Insurance:** The Contractor shall provide and maintain worker's compensation insurance, as required by the laws of the states in which its employees work, covering all of the Contractor's employees who are engaged in any work under the contract.
 - (2) **Employer's Liability Insurance:** The Contractor shall provide employer's liability insurance, with minimum limits of \$500,000.00, covering all of the Contractor's employees who are engaged in any work under the contract.
 - (3) **Commercial General Liability Insurance:** The Contractor shall provide commercial general liability insurance on a comprehensive broad form on an occurrence basis with a minimum combined single limit of \$1,000,000.00 for each occurrence.
 - (4) **Automobile Liability Insurance:** The Contractor shall provide automobile liability insurance with a combined single limit of \$500,000.00 for bodily injury and property damage; a limit of \$500,000.00 for uninsured/under insured motorist coverage; and a limit of \$2,000.00 for medical payment coverage. The Contractor shall provide this insurance for all automobiles that are:
 - (A) owned by the Contractor and used in the performance of this contract;
 - (B) hired by the Contractor and used in the performance of this contract; and
 - (C) owned by Contractor's employees and used in performance of this contract ("non-owned vehicle insurance"). Non-owned vehicle insurance protects employers when employees use their personal vehicles for work purposes. Non-owned vehicle insurance

supplements, but does not replace, the car-owner's liability insurance.

The Contractor is not required to provide and maintain automobile liability insurance on any vehicle -- owned, hired, or non-owned -- unless the vehicle is used in the performance of this contract.

- (b) The insurance coverage minimums specified in subparagraph (a) are exclusive of defense costs.
- (c) The Contractor understands and agrees that the insurance coverage minimums specified in subparagraph (a) are not limits, or caps, on the Contractor's liability or obligations under this contract.
- (d) The Contractor may obtain a waiver of any one or more of the requirements in subparagraph (a) by demonstrating that it has insurance that provides protection that is equal to or greater than the coverage and limits specified in subparagraph (a). The Commission shall be the sole judge of whether such a waiver should be granted.
- (e) The Contractor may obtain a waiver of any one or more of the requirements in paragraph (a) by demonstrating that it is self-insured and that its self-insurance provides protection that is equal to or greater than the coverage and limits specified in subparagraph (a). The Commission shall be the sole judge of whether such a waiver should be granted.
- (f) Providing and maintaining the types and amounts of insurance or self-insurance specified in this paragraph is a material obligation of the Contractor and is of the essence of this contract.
- (g) The Contractor shall only obtain insurance from companies that are authorized to provide such coverage and that are authorized by the Commissioner of Insurance to do business in the State of North Carolina. All such insurance shall meet all laws of the State of North Carolina.
- (h) The Contractor shall comply at all times with all lawful terms and conditions of its insurance policies and all lawful requirements of its insurer.
- (i) The Contractor shall require its subcontractors to comply with the requirements of this paragraph.
- (j) The Contractor shall demonstrate its compliance with the requirements of this paragraph by submitting certificates of insurance to the Division before the Contractor begins work under this contract.

Default and Termination

Termination Without Cause: The Commission may terminate this contract without cause by giving 30 days written notice to the Contractor.

Termination for Cause: If, through any cause, the Contractor shall fail to fulfill its obligations under this contract in a timely and proper manner, the Commission shall have the right to terminate this contract by giving written notice to the Contractor and specifying the effective date thereof. In that event, all finished or unfinished deliverable items prepared by the Contractor under this contract shall, at the option of the Commission, become its property and the Contractor shall be entitled to receive just and equitable compensation for any satisfactory work completed on such materials, minus any payment or compensation previously made. Notwithstanding the foregoing provision, the Contractor shall not be relieved of liability to the Commission for damages sustained by the Commission by virtue of the Contractor's breach of this agreement, and the Commission may withhold any payment due the Contractor for the purpose of setoff until such time as the exact amount of damages due the Commission from such breach can be determined. In case of default by the Contractor, without limiting any other remedies for breach available to it, the Commission may procure the contract services from other sources and hold the Contractor responsible for any excess cost occasioned thereby. The filing of a petition for bankruptcy by the Contractor shall be an act of default under this contract.

Waiver of Default: Waiver by the Commission of any default or breach in compliance with the terms of this contract by the Contractor shall not be deemed a waiver of any subsequent default or breach and shall not be construed to be modification of the terms of this contract unless stated to be such in writing, signed by an authorized representative of the Commission and the Contractor and attached to the contract.

Availability of Funds: The parties to this contract agree and understand that the payment of the sums specified in this contract is dependent and contingent upon and subject to the appropriation, allocation, and availability of funds for this purpose to the Commission.

Force Majeure: Neither party shall be deemed to be in default of its obligations hereunder if and so long as it is prevented from performing such obligations by any act of war, hostile foreign action, nuclear explosion, riot, strikes, civil insurrection, earthquake, hurricane, tornado, or other catastrophic natural event or act of God.

Survival of Promises: All promises, requirements, terms, conditions, provisions, representations, guarantees, and warranties contained herein shall survive the contract expiration or termination date unless specifically provided otherwise herein, or unless superseded by applicable Federal or State statutes of limitation.

Intellectual Property Rights

Copyrights and Ownership of Deliverables: All deliverable items produced pursuant to this contract are the exclusive property of the Commission. The Contractor shall not assert a claim of copyright or other property interest in such deliverables.

Federal Intellectual Property Bankruptcy Protection Act: The Parties agree that the Commission shall be entitled to all rights and benefits of the Federal Intellectual Property Bankruptcy Protection Act, Public Law 100-506, codified at 11 U.S.C. 365 (n) and any amendments thereto.

Compliance with Applicable Laws

Compliance with Laws: The Contractor shall comply with all laws, ordinances, codes, rules, regulations, and licensing requirements that are applicable to the conduct of its business, including those of federal, state, and local agencies having jurisdiction and/or authority.

Equal Employment Opportunity: The Contractor shall comply with all federal and State laws relating to equal employment opportunity.

Executive Order # 24: "By Executive Order 24, issued by Governor Perdue, and N.C. G.S. § 133-32, it is unlawful for any vendor or contractor (i.e. architect, bidder, contractor, construction manager, design professional, engineer, landlord, offeror, seller, subcontractor, supplier, or vendor), to make gifts or to give favors to any State employee of the Governor's Cabinet Agencies (i.e., Administration, Commerce, Correction, Crime Control and Public Safety, Cultural Resources, Environment and Natural Resources, Health and Human Services, Juvenile Justice and Delinquency Prevention, Revenue, Transportation, and the Office of the Governor). This prohibition covers those vendors and contractors who have a contract with a governmental agency; or have performed under such a contract within the past year; or anticipate bidding on such a contract in the future.

For additional information regarding the specific requirements and exemptions, vendors and contractors are encouraged to review Executive Order 24 and G.S. Sec. 133-32.

Executive Order 24 also encouraged and invited other State Agencies to implement the requirements and prohibitions of the Executive Order to their agencies. Vendors and contractors should contact other State Agencies to determine if those agencies have adopted Executive Order 24."

Confidentiality

Confidentiality: Any information, data, instruments, documents, studies or reports given to or prepared or assembled by the Contractor under this agreement shall be kept as confidential and not divulged or made available to any individual or organization without the prior written approval of the Commission. The Contractor acknowledges that in receiving, storing, processing or otherwise dealing with any confidential information it will safeguard and not further disclose the information except as otherwise provided in this contract.

Oversight

Access to Persons and Records: The State Auditor shall have access to persons and records as a result of all contracts or grants entered into by State agencies or political subdivisions in accordance with General Statute 147-64.7. Additionally, as the State funding authority, the Department of Commerce shall have access to persons and records as a result of all contracts or grants entered into by State agencies or political subdivisions.

Record Retention: Records shall not be destroyed, purged or disposed of without the express written consent of the Commission. State basic records retention policy requires all grant records to be retained for a minimum of five years or until all audit exceptions have been resolved, whichever is longer. If the contract is subject to federal policy and regulations, record retention may be longer than five years since records must be retained for a period of three years following submission of the final Federal Financial Status Report, if applicable, or three years following the submission of a revised final Federal Financial Status Report. Also, if any litigation, claim, negotiation, audit, disallowance action, or other action involving this Contract has been started before expiration of the five-year retention period described above, the records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the regular five-year period described above, whichever is later.

Warranties and Certifications

Date and Time Warranty: The Contractor warrants that the product(s) and service(s) furnished pursuant to this contract ("product" includes, without limitation, any piece of equipment, hardware, firmware, middleware, custom or commercial software, or internal components, subroutines, and interfaces therein) that perform any date and/or time data recognition function, calculation, or sequencing will support a four digit year format and will provide accurate date/time data and leap year calculations. This warranty shall survive the termination or expiration of this contract.

Certification Regarding Collection of Taxes: G.S. 143-59.1 bars the Secretary of Administration from

entering into contracts with vendors that meet one of the conditions of G.S. 105-164.8(b) and yet refuse to collect use taxes on sales of tangible personal property to purchasers in North Carolina. The conditions include: (a) maintenance of a retail establishment or office; (b) presence of representatives in the State that solicit sales or transact business on behalf of the vendor; and (c) systematic exploitation of the market by media-assisted, media-facilitated, or media-solicited means. The Contractor certifies that it and all of its affiliates (if any) collect all required taxes.

Miscellaneous

Choice of Law: The validity of this contract and any of its terms or provisions, as well as the rights and duties of the parties to this contract, are governed by the laws of North Carolina. The Contractor, by signing this contract, agrees and submits, solely for matters concerning this Contract, to the exclusive jurisdiction of the courts of North Carolina and agrees, solely for such purpose, that the exclusive venue for any legal proceedings shall be Wake County, North Carolina. The place of this contract and all transactions and agreements relating to it, and their situs and forum, shall be Wake County, North Carolina, where all matters, whether sounding in contract or tort, relating to the validity, construction, interpretation, and enforcement shall be determined.

Amendment: This contract may not be amended orally or by performance. Any amendment must be made in written form and executed by duly authorized representatives of the Commission and the Contractor. The Purchase and Contract Division of the NC Department of Administration and the NC Alcoholic Beverage Control Commission shall give prior approval to any amendment to a contract awarded through those offices.

Severability: In the event that a court of competent jurisdiction holds that a provision or requirement of this contract violates any applicable law, each such provision or requirement shall continue to be enforced to the extent it is not in violation of law or is not otherwise unenforceable and all other provisions and requirements of this contract shall remain in full force and effect.

Headings: The Section and Paragraph headings in these General Terms and Conditions are not material parts of the agreement and should not be used to construe the meaning thereof.

Time of the Essence: Time is of the essence in the performance of this contract.

Key Personnel: The Contractor shall not replace any of the key personnel assigned to the performance of this contract without the prior written approval of the Division. The term "key personnel" includes any and all persons identified by as such in the contract documents and any other persons subsequently identified as key personnel by the written agreement of the parties.

Care of Property: The Contractor agrees that it shall be responsible for the proper custody and care of any property furnished to it for use in connection with the performance of this contract and will reimburse the Commission for loss of, or damage to, such property. At the termination of this contract, the Contractor shall contact the Commission for instructions as to the disposition of such property and shall comply with these instructions.

Travel Expenses: Reimbursement to the Contractor for travel mileage, meals, lodging and other travel expenses incurred in the performance of this contract shall not exceed the rates published in the applicable State rules. International travel shall not be reimbursed under this contract.

Sales/Use Tax Refunds: If eligible, the Contractor and all subcontractors shall: (a) ask the North Carolina Department of Revenue for a refund of all sales and use taxes paid by them in the performance of this contract, pursuant to G.S. 105-164.14; and (b) exclude all refundable sales and use taxes from all reportable expenditures before the expenses are entered in their reimbursement reports.

Advertising: The Contractor shall not use the award of this contract as a part of any news release or commercial advertising.

Attachment 2
Scope of Work - Description of Services

SERVICES: The Contractor shall provide valuation analysis and conclusions based on the different Scenarios as described below.

A. **Objective:** The Commission and the State desire to know, for policy-making purposes, the following about the current ABC system:

1. The valuation of the State's current warehouse system of receipt, storage and distribution of spirituous liquor – the **existing wholesale function**.
2. The valuation of the State's current system for the sale of spirituous liquor by the local ABC stores to the public and the regulation thereof – the **existing retail function**.

The Commission and the State also desire to know the valuation of the following alternative models to the existing wholesale and retail functions:

3. The valuation of the **wholesale function**, whereby the State sells the function to a single vendor, providing a monopoly for a license period of 5 and 10 years.
4. The valuation of the **wholesale function** whereby the State sells licenses for a period of 5 and 10 years to multiple distributors who each set up their own warehouses.
5. The valuation of the **retail function** whereby the State sells to a single vendor (5 and 10 year licenses) providing a monopoly, and
 - (i) Vendor establishes own ABC stores or outlets, or
 - (ii) Vendor purchases existing in-place retail distribution network and establishes additional ABC stores or outlets.
6. The valuation of the **retail function** whereby the State sells to multiple vendors, the licenses (5 and 10 year licenses) to distribute on a retail basis (limited monopoly), and
 - (i) Vendors establish own ABC stores or outlets,
 - (ii) Vendors purchase existing in-place retail distribution network and establish additional ABC stores or outlets, or
 - (iii) Vendors establish agency stores.

B. **Method and Procedure:** The scope of the Contractor's work will include, among other procedures, the following:

1. Discussions concerning the history and future operations of the ABC system and possible Scenarios;
2. Discussions of methods of pricing licenses (such as auction, reverse auction, or fixed fee) and comparison of methods to realize maximum revenue;
3. Review and analysis of historical and projected operating results and other data relating to the overall operations of the System;
4. Review and consideration of transactions/financings for comparable liquor control systems and public private partnership. This would be accomplished by conducting interviews and conversations with infrastructure centric private equity firms and strategic bidders;
5. Discussion of value drivers; value drivers are any variable which would have the result of increasing net operating revenue of the asset which will result in an increased valuation, such as the license term or allowing agency stores;
6. Establishment of profit/revenue maximizing point and comparison at that point to current conditions using the value drivers;
7. Sensitivity analysis varying the different key assumptions, through modeling, in order to determine how various revenue growth, discount rates and contract terms affect value; and

8. Analysis of other facts and data considered pertinent to our analysis.

Each of the above factors will be considered, along with other information pertinent to the situation, to reach a conclusion.

C. Process and Milestones

1. Process:	Day Estimate
Due Diligence / data collection	9.5
Management interview / discussion	
Data collection and assimilation	
Market and industry research	
Development of comparable companies	
Development of discount rates	
Valuation of the existing warehouse operations	8.5
Historical financial review and trend analysis	
Discounted cash flow valuation analysis	
Market public company valuation analysis	
Assimilation of values and review	
Valuation of the existing retail operations	10.0
Historical financial review and trend analysis	
Discounted cash flow valuation analysis	
Market public company valuation analysis	
Assimilation of values and review	
Valuation of wholesale operation sale to single vendor (5 year license)	3.5
Discounted cash flow analysis [a]	
Review	
Valuation of wholesale operation sale to single vendor (10 year license)	3.5
Discounted cash flow analysis [a]	
Review	
Valuation of wholesale license sale to multiple distributors (5 year license)	3.5
Discounted cash flow analysis [a]	
Review	
Valuation of wholesale license sale to multiple distributors (10 year license)	3.5
Discounted cash flow analysis [a]	
Review	
Valuation of retail operation sale to a single vendor (5 and 10 year license) (establishment of its own stores or outlets)	3.5
Discounted cash flow analysis [a]	
Review	
Valuation of retail operation sale to a single vendor (5 and 10 year license) (existing in-place network)	3.5
Discounted cash flow analysis [a]	
Review	
Valuation of retail operation sale to multiple vendors (5 and 10 year license) (establishment of its own stores or outlets)	3.5
Discounted cash flow analysis [a]	
Review	

Valuation of retail operation sale to a multiple vendors (5 and 10 year license) (existing in-place network)	3.5
Discounted cash flow analysis [a]	
Review	
Valuation of retail operation sale to a multiple vendors (5 and 10 year license) (establishment of agency stores)	3.5
Discounted cash flow analysis [a]	
Review	
Bidder validation	2.5
Identify potential bidders	
Undisclosed meetings	
Deliverables	7.0
Report	
Presentation	
General / Coordination / Support	3.9
Total	72.9

[a] Incorporating specific scenario assumptions and adjustments into the cash flow model

2. Milestones:

- Week 1: Construct data library
---ABC Commission
---Other 18 "Control States"
- Week 2: Outline of business terms to be valued submitted to State
- Week 3: Draft of valuation model finalized
- Week 4-5: Confidential discussion on assets with key investors: financial and strategic
- Week 5: Outline of report developed, without final valuation numbers
- Week 6: Final valuation analysis and sensitivities
- Week 7: Review with client before report finalized
- Week 8: Final report delivered to State

D. Preliminary results

Preliminary results of Contractor's analysis will be available within six weeks of an executed agreement and receipt of requested due diligence information. At the Commission's direction and timely comment, Contractor shall then issue the final letter report. The Parties agree that this timetable is dependent upon Contractor receiving timely access to information and key company personnel.

E. Deliverables

A Fair Market Value shall be determined using a current Valuation Date for each of the Scenarios listed in Paragraphs A. and C. above. Contractor shall provide a report outlining the various Scenarios and their respective valuation analysis. Included will be exhibits supporting the valuation methodologies and assumptions used that support the valuation conclusion and finding. Additionally, a summary of available comparable transactions in public private partnerships shall be provided.

F. Payment

This Contract is a Results, Time and Expense contract. Contractor shall be paid for the timely and satisfactory completion of each phase of the services described in Paragraphs C., D. and E. above.

The Commission's Contract Administrator shall evaluate the performance of the Contractor as evidenced by the weekly progress reports and the semi-monthly detailed invoice required of the Contractor in Article II, Section 2.3 of the Contract. The Commission's Contract Administrator shall determine the progress of the work actually completed in relation to; the "Process" and "Milestones" time tables set out in Paragraph C. of Attachment 2., and the Estimated Budget in Attachment 3., prior to approving payment for the period.

Upon approval of the work satisfactorily completed the Commission's Contract Administrator shall submit Contractor's invoice to the Department of Commerce for payment within 30 days immediately thereafter.

Contractor shall be paid \$ 350.00 per hour.

Contractor shall be paid according to the number of hours of work invoiced for the period.

The total amount paid under the Contract not to exceed \$175,000.00 plus reasonable and eligible expenses.

F. Expenses

Contractor shall submit a detailed report of travel, mileage, meals, lodging and Data Charge expenses incurred during the previous two-week period. The Commission's Contract Administrator shall review the expense report, and submit a request to the Department of Commerce for reimbursement of those expenses eligible under the provisions of Attachments 1. and 4. Eligible expense reimbursement shall be paid to the Contractor within 30 days of the Contract Administrator's request.



Attachment 3
Estimated Budget

North Carolina Alcoholic Beverage Control Commission



	Fee Estimate	Day Estimate
Due diligence / data collection Management interview / discussion Data collection and assimilation Market and industry research Development of comparable companies Development of discount rates	\$22,800.00	9.5
Valuation of existing warehouse operations Historical financial review and trend analysis Discounted cash flow valuation analysis Market public company valuation analysis Assimilation of values and review	20,400.00	8.5
Valuation of existing retail operations Historical financial review and trend analysis Discounted cash flow valuation analysis Market public company valuation analysis Assimilation of values and review	24,000.00	10.0
Valuation of wholesale operation sale to single vendor (5 year license) Discounted cash flow analysis [a] Review	8,400.00	3.5
Valuation of wholesale operation sale to single vendor (10 year license) Discounted cash flow analysis [a] Review	8,400.00	3.5
Valuation of wholesale license sale to multiple distributors (5 year license) Discounted cash flow analysis [a] Review	8,400.00	3.5
Valuation of wholesale license sale to multiple distributors (10 year license) Discounted cash flow analysis [a] Review	8,400.00	3.5
Valuation of retail operation sale to single vendor (5 and 10 year license) (establishment of its own stores or outlets) Discounted cash flow analysis [a] Review	8,400.00	3.5

Attachment 3
Estimated Budget

North Carolina Alcoholic Beverage Control Commission

Project 36151

	Fee Estimate	Day Estimate
Valuation of retail operation sale to single vendor (5 and 10 year license) (existing in-place network) Discounted cash flow analysis [a] Review	8,400.00	3.5
Valuation of retail operation sale to multiple vendors (5 and 10 year license) (establishment of its own stores or outlets) Discounted cash flow analysis [a] Review	8,400.00	3.5
Valuation of retail operation sale to multiple vendors (5 and 10 year license) (existing in-place network) Discounted cash flow analysis [a] Review	8,400.00	3.5
Valuation of retail operation sale to multiple vendors (5 and 10 year license) (establishment of agency stores) Discounted cash flow analysis [a] Review	8,400.00	3.5
Bidder validation Identify potential bidders Undisclosed meetings	6,000.00	2.5
Deliverables Report Presentation	16,800.00	7.0
General / Coordination / Support	9,400.00	3.9
Total	175,000.00	72.9

[a] Incorporating specific scenario assumptions and adjustments into the discounted cash flow model

**Attachment 4
Expense Schedule**

NORTH CAROLINA DEPARTMENT OF COMMERCE		POLICY # FM 1
Title: Travel Expense Policy		
Effective Date:	July 1, 2001	Administering Authority:
Revisions:	January 1, 2010	Chief Fiscal Officer
Statutory Authority (if Applicable): State Budget Manual Section 5		

Purpose: To provide specific guidelines concerning travel reimbursement expenses.

Scope: This policy applies to all agencies organized under the Department of Commerce, except ESC.

Policy:

FISCAL MANAGEMENT GUIDELINES

Following are some of the more common guidelines relative to expenditures which are reimbursable on Travel Reimbursement Requests. This should not be considered as being "all inclusive"; if you are confronted with a questionable expenditure please contact your supervisor and/or the Fiscal Management Division for clarification prior to commitment.

TRAVEL REIMBURSEMENT REQUESTS

- "An employee traveling on official business is expected to exercise the same care in incurring expenses that a prudent person would exercise if traveling on personal business and expending personal funds. Excess costs, circuitous routes, delays or luxury accommodations and services unnecessary or unjustified **or for the convenience or personal preference of the employee** in the performance of official business are prohibited. Employees will be responsible for unauthorized costs and any additional expenses incurred for personal preference or convenience."
- Each employee is responsible for his/her own request for reimbursement. Each employee is responsible for his/her own meals, registration costs and all other travel expenses incurred and should not pay any expenses for other employees.
- These policies are intended to apply only to those state employees or other persons on official state business. Official state business occurs when the state employee or other person is traveling to attend approved job related training and/or work on behalf of, officially represent, or provide a state service upon the state's request. Travel that would not directly benefit the state will not be reimbursable.
- All approved reimbursement requests (typed only) must be filed in the Fiscal Management Division (FMD) within 30 days after the travel period ends. (Example: March 4th thru 8th travels is due in the FMD no later than April 8th). A delinquent letter will be issued to the employee and placed in his/her personnel file.

The only exceptions that will be granted are:

- Personal Sickness (out of the office for several weeks)
- Death in immediate family
- International Travel -- if employee uses his/her credit card. Credit card statements are used for the conversions rates

The Travel Reimbursement Request form may be found at the web address
<http://www.nccommerce.com/intranet/forms>.

Please attach a short memo indicating if your travel reimbursement is delinquent due to one of the three exceptions listed above. The employee must sign the memo.

- All reimbursement requests must have original signature of claimant and appropriate approving authority. All original receipts must be attached.
- All reimbursements must include the reason / purpose of the trip in the purpose field.
- All reimbursement requests must have approved budget authorization (BDA) attached to cover all out-of-state travel (even if the hotel is Gratis), registration fees in excess of \$49 or excess in-state hotel allowances. A BDA should be inclusive of all charges to be incurred with the associated expenses. This must be approved in advance. Trip costs are estimates, but details such as dates, destinations, names of travelers and registration fees must be accurate. Please refer to FM 10 for approval authority delegation via division directors (and designees) and Secretary's Office.
- Any BDA's requiring revisions should be reapproved by the approving Supervisor/Director of the agency/division, however, if the revision is in excess of \$500 it will need to be reapproved by the Assistant Secretary of Administration or her Designee.
- Reimbursement for overnight lodging (prior approval by department head or his or her designee required to qualify for reimbursement of overnight stays) must be substantiated by an itemized receipt from a commercial lodging establishment; **copies of charge receipts only are not acceptable.**
- Travel must involve a destination at least 35 miles from the employee's assigned duty station (or home, whichever is less) to allow for an overnight stay or to claim breakfast and/or dinner without an overnight stay. Regulations for departure and arrival times must be followed.
- "Duty station" is defined as the location where the employee is assigned. Department head approval is required to designate the employee's home as the duty station.
- Maximum allowed subsistence rates effective July 01, 2007

	<u>In-State</u>	<u>Out-of-State</u>
Breakfast	\$ 7.75	\$7.75
Lunch	10.10	10.10
Dinner	17.30	19.65

Hotel	65.90	78.05
DAILY TOTAL	<u>\$101.05</u>	<u>\$115.55</u>

- A payment of sales tax, lodging tax, local tax or service fees applied to the cost of lodging is allowed in addition to the lodging rate (\$65.90 & \$78.05) and is to be paid as lodging expense.
- Express Hotel Invoices---The fiscal representative from each division must call for a detailed hotel invoice. Express hotel invoices are not acceptable. These invoices do not provide detailed expenses for each day.
- Web Based Internet Hotel Reservations-Exception has been granted from OSBM for employees to use the hotel email receipt when using a web based Internet site to book hotel reservations. The hotel email confirmation and travel reimbursement must include the following:

Hotel Email Receipts should contain:

length of the stay
nightly rate and total if it is for multiple nights
name of the hotel
employee's name while on state business

Travel Reimbursement Form should contain:

The authorized approver's signature on the travel reimbursement form (denoting they were authorized to take the trip) with the hotel e-mail receipt, the approved BDA if applicable according to Fiscal Management Guidelines, and all other proper receipts/documentation relating to the trip.

- Excess for meals is not allowable unless the meal is included in a registration fee, out-of-country travel or predetermined charges which are specifically stated in a program, brochure and etc. (copy must be furnished) and prior approval by BDA has been received. A BDA should be inclusive of all charges to be incurred with the associated expenses. The cost of meals included in other related activities (registration fees, conference costs, hotel registration, etc.) may not be duplicated in reimbursement requests.
- If requested, each employee may be reimbursed for breakfast even if their hotel offers a free continental breakfast.
- No lunches reimbursed unless an overnight stay is involved with the exception of official board/commission meetings where attendance is required and the meal is a preplanned part of the formal agenda. Refer to FM-2 and FM-10, Section 4 regarding meals to prospect and prospect expenses.

To claim breakfast when no overnight stay is involved, departure must be before 6:00 am and **the workday has been extended** by 2 hours. Travel claims must include departure time as well as the time the workday ended.

- To claim dinner when no overnight stay is involved, the return must be after 8:00 pm and **the workday has been extended by 3 hours.**
- Travel claims must include the arrival time as well as the time the workday began.
- Meals for **overnight** travel may be claimed under the following circumstance:
Breakfast when departing duty station prior to 6:00 am;
Lunch when departing duty station prior to Noon;
Lunch when returning to duty station after 2:00 pm;
Dinner when departing duty station prior to 5:00 pm;
Dinner when returning to duty station after 8:00 pm;
- **Actual times of departure and return must be indicated on the reimbursement request when meals are claimed.**
- Employees are allowed to claim reimbursement for meals even though they are shown and offered as a part of one's flight schedule on a commercial airline.
- Tips for meals are included as part of the meal allowance.
- Registration fees for conferences, training classes, seminars or other non-accredited classes will be reimbursed for the actual amount. Individuals are responsible for paying all registration fees for \$49 or less. (Exceptions will be granted to employees attending in groups of two or more. Each employee must complete an Advance Registration Form and one check will be issued to the vendor). Agendas and receipts must be attached with the reimbursement request when the employee pays the advance registration of \$49 or less. Advance Registration Request forms must be completed for any advance registration payment made by Fiscal Management. The invoice, the BDA (if required), and the agenda must be attached to the Advance Registration Request. A BDA should be inclusive of all charges to be incurred associated with the trip.
- Registration fees for educational assistance associated with courses taken for academic credit: refer to HR 8 and 9.
- Employees are not allowed to charge long distance phone calls to the state for calls made of a personal nature. Except as stated --- **(1)** An employee who is in travel status for two or more consecutive nights in a week is allowed one personal long distance telephone call for each two nights for which reimbursement to the employee may not exceed \$3 for in-state calls or \$5 for out-of-state calls. Documentation is required for reimbursement (itemized daily charges on the hotel bill will serve as documentation for the call or phone service invoice). **(2)** Call(s) is/are of an emergency nature will be determined by the department. An example is a call made when an employee calls home to inform someone that the travel period has been extended beyond original plans due to unforeseen reasons.
- All long distance calls that are to be paid by the state are those made pursuant to the employee conducting official state business. Reimbursement may be requested for

business calls under "other expenses" on the travel reimbursement form. **Calls over \$5.00 must be identified with destination and number called.**

- Use of personal vehicle for state business is reimbursable when the trip is approved by agency heads/division directors. All mileage is measured from the closer of duty station or point of departure and (return). An employee will be reimbursed the IRS rate of **50 cents** when using their personal vehicle for state business when the round trip does not exceed 100 miles. The employee must claim the actual mileage for the trip. The employee will not be required to submit an "EMPLOYEE REQUEST FOR PERMISSION TO USE PRIVATE-OWNED VEHICLE" (revised January 1, 2007) form when travel only involves the round trip of 100 miles or less for the actual mileage.
- The mileage rate of **.33 cents** (Motor Fleet rate) will be reimbursed to all Commerce divisions when a state-owned vehicle is available, and the employee **chooses** to use his/her own vehicle (**outside the 100 miles radius**). For Commerce divisions **outside** of Raleigh, **.33 cents** will be reimbursed if a state-owned vehicle is assigned and available to that office and the employee chooses to use his/her own vehicle (**outside the 100 miles radius**). If no state-owned vehicle is assigned, the mileage rate of **50 cents** (**Internal Revenue Service standard mileage rate**) will be reimbursed.
- If an employee (Duty Station in Raleigh Area) chooses to use his/her personal vehicle because no state-owned vehicle is available, the employee must complete the form EMPLOYEE REQUEST FOR PERMISSION TO USE PRIVATE-OWNED VEHICLE in order to receive the IRS mileage rate of **50 cents** (**outside the 100 miles radius**). By signing this form, the employee will be certifying under penalties of perjury that he/she contacted Motor Fleet to obtain a state vehicle as required by OSBM and one was not available. This form is located on the Commerce Intranet website under FORMS. The employee does not need to attach the REQUEST FOR MOTOR POOL VEHICLE form from MFM to the travel reimbursement form.
- For Commerce divisions **outside** of Raleigh (Duty Station Outside the Raleigh Area) with a state-owned vehicle assigned to that office and the state-owned vehicle is not available (and no access to Motor Fleet), the employee must complete the form EMPLOYEE REQUEST FOR PERMISSION TO USE PRIVATE-OWNED VEHICLE. This form must only be completed if the employee is claiming **50 cents** (**outside the 100 miles radius**). This form is located on the Commerce Intranet website under FORMS. The employee does not need to attach the REQUEST FOR MOTOR POOL VEHICLE form from MFM to the travel reimbursement form.
- Mileage rate for travel to and from the airport is reimbursable at the IRS rate of **50 cents** for all Commerce Divisions. Mileage is measured from the **closer** of the duty station or home. The employee will not be required to submit an "EMPLOYEE REQUEST FOR PERMISSION TO USE PRIVATE-OWNED VEHICLE" form when travel only involves mileage reimbursement to and from the airport.

Travel to/from Airport at Employee's Duty Station

- Reimbursement for travel between the employee's duty station or home (whichever is

less) and the nearest airline terminal (or train/bus station if applicable) and for parking may be made under the following circumstances.

For travel by:

- Taxi or Airport Shuttle - Actual costs with receipts.
- Private car - the business standard mileage rate set by the Internal Revenue Services for a maximum of two round trips with no parking charge, or for one round trip with parking charges. Receipts are required for airport parking claims.
- Use of Public Transportation - In lieu of using a taxi or airport shuttle, employees can be reimbursed without receipts \$5 for each one-way trip either from the airport to hotel/meeting or from the hotel/meeting to the airport or the actual cost of the travel with the submission of receipts.

Fees in **excess** of \$20 require that the destination be listed.

- **Travel to/from Airport at Employee's Destination**

Reimbursement for travel to and from the airline terminal (or train/bus station if applicable) at the employee's destination may be made where travel is via most economical mode available as listed below:

- Taxi or Airport Shuttle service - Actual costs with receipts.
- Rental vehicles - may be used with the prior approval of the department head or his or her designee; however, rental vehicles may not be used for the sole convenience of the employee (receipt required). Please refer to Rental Vehicle section as indicated in this Fiscal Management Guideline.
- Use of Public Transportation - In lieu of using a taxi or airport shuttle, employees can be reimbursed \$5 without receipts for each one-way trip from the airport to hotel/meeting or from the hotel/meeting to the airport. Reimbursement will be made for the actual cost of the travel with the submission of receipts.

Fees in **excess** of \$20 require that the destination be listed.

- **Parking**

Parking expenses are reimbursable while in the course of conducting official State business as long as such expenses are determined reasonable and clearly show that there was care taken to keep the costs to the State as low as possible. **Original receipts must be furnished.** Any parking rates considered excessive and only for the convenience of the traveler will not be reimbursable. For example, excessive or inappropriate parking would be the use of an airport's hourly parking lot for an overnight trip.

- **Travel Involving Trips Other than to and from the Airport**

The actual costs of taxi and shuttle service fares are reimbursable when required for travel on official state business. The request must be documented with a receipt. The

use of public transportation is reimbursable for actual costs with a receipt. Fees in **excess** of \$20 require that the destination be listed.

- If the employee is in travel status as documented by an approved BDA and it is necessary to use an ATM, minimal fees will be reimbursed. Receipts will still be required to account for the expenditure of cash withdrawn from the ATM.
- The cost of road maps is not reimbursable. Proper trip organization should precede all travel. Travel routes should be preplanned using either free on-line map services, such as Map Quest, Yahoo Maps, etc. or conventional state road maps. State maps are available at our own Division of Tourism and are included in all state vehicles.
- Items for personal use such as cosmetics, medications, snacks, clothing, alcoholic beverages, refreshments or other items for personal preference or convenience are not reimbursable.
- Reimbursable gratuity or tips must be considered reasonable for items that are not already covered under subsistence. Excessive tips will not be reimbursed. A reasonable tip would be one that a prudent person would give if traveling or conducting personal business and expending personal funds. Gratuity or tips should be listed under "other expenses" on the reimbursement request form. For further guidance, the following information is provided when calculating a tip:
 - Airports: Baggage Handling/Skycaps = no more than \$2 per bag; Shuttle Drivers = no more than \$2 per bag.
 - Parking/Auto Related: Valets = \$2 per car when collecting the car; Taxi Drivers = 15% of the fare and \$1 - \$2 a bag.
 - Hotel Related: \$1 - \$2 a bag.

If an employee claims tips not listed as referenced above, justification must be attached and approved by the authorized approver of travel reimbursements and the employee.

Tips for maid services will not be reimbursable.

- Laundry costs are not reimbursable except for out-of-country travel for stays of one week or longer.
- Tuxedo rental is a personal expense of the employee. Commerce cannot reimburse for tuxedo rental.

EXTRAORDINARY EXPENSES

- Original receipts must be furnished for expenses such as postage, film developing/purchase, freight, copies, etc.

RENTAL VEHICLES

Rental vehicles may be used via the state contract with Enterprise Rent A Car (Enterprise). Enterprise will direct bill each Commerce Division for in-state travel. Each division will have an assigned customer number provided by Enterprise (obtained by Division Fiscal Representative) plus the Commerce customer number **53E5000**. The employee must provide the two customer numbers in order to rent a vehicle from Enterprise for direct billing. Optional insurance coverage is not reimbursable for travel inside US jurisdiction.

- In-State (Duty Station in Raleigh Area)—The employee utilizing Enterprise services in the **Raleigh area must provide the Request for Motor Pool Vehicle form from Motor Fleet Management (MFM) to the Division Director indicating "no state vehicle was available"**. No BDA will be required if the Fiscal Representative attaches the request form from MFM and Division Director (or his/her designee) approves the Cash Disbursement Code Sheet with the Enterprise invoice attached in accordance with the state contract on file for rental vehicles with Enterprise. If the employee will be using a rental car for personal convenience, a BDA must be approved by the Secretary's Office.
- In-State (Duty Station outside the Raleigh Area)—Employees having no access to MFM and/or the state car assigned to the regional office is not available, the employee may utilize a rental vehicle by Enterprise. No BDA will be required if the Fiscal Representative attaches a signed statement from the employee indicating "no access to MFM and/or the state vehicle assigned to regional office was not available" and Division Director (or his/her designee) approves the Cash Disbursement Code Sheet with the Enterprise invoice attached in accordance with the state contract on file for rental vehicles with Enterprise. If the employee will be using a rental car for personal convenience, a BDA must be approved by the Secretary's Office.
- Outside of North Carolina—Rental vehicles may be used when approved in advance (via BDA or memorandum) by the Secretary or his or her designee and substantiated by receipt (Enterprise Rent A Car or the most economical rental vehicle service available). **A BDA should be inclusive of all charges to be incurred with the associated expenses.** Optional insurance coverage is not reimbursable for travel inside US jurisdiction. Optional automobile rental insurance will be permitted for business travelers during travel to international destinations (refer to FM3 for policy guidelines on international business travel).
- **Enterprise will direct bill for in-state rental vehicles only.** The employee will be reimbursed when utilizing rental vehicles when traveling out-of-state and out-of-country with a receipt and approved BDA or memorandum.

Invoices from Enterprise will include **8%** highway use tax, **3%** gross receipt tax, and **5%** triangle transit tax. The fiscal representative must separate the rental fee and all taxes appropriately on the Cash Disbursement Code Sheet.

▪ **Enterprise Rates and Guidelines**

Please refer to the Enterprise Rent A Car's website:
www.enterprise.com/car_rental/deeplinkmap.do?cust=53E5000

Rates

Car Class	Daily	Weekly	Monthly
Compact	\$ 39.00	\$ 234.00	\$ CALL
Intermediate	\$ 41.50	\$ 249.00	\$ CALL
Standard	\$ 43.50	\$ 261.00	\$ CALL
Full-Size	\$ 46.00	\$ 276.00	\$ CALL
Premium	\$ 50.00	\$ 300.00	\$ CALL
Med SUV	\$ 65.00	\$ 390.00	\$ CALL
Large SUV	\$ 89.00	\$ 534.00	\$ CALL
Minivan	\$ 63.00	\$ 378.00	\$ CALL
Pick-Up Truck	\$ 48.00	\$ 288.00	\$ CALL
Luxury	\$ 69.00	\$ 414.00	\$ CALL
15 Passenger	\$ 98.00	\$ 588.00	\$ CALL

Rates include Collision Damage Waiver and Supplemental Liability Protection, so we strongly encourage you to use Enterprise. When signing the rental contract, decline all of these products as they are included in our contracted rates. Unlimited mileage is available on some car classes.

NOTE: Other types of vehicles not shown may be available. Please contact Enterprise for other vehicle types and prices, locations, and any other daily specials that might be applicable. Prices or Discounts shown do not include any North Carolina sales or use taxes.

Airport Rates

The State contract should be utilized at all Enterprise locations for airport travel in the US. Please utilize Commerce customer number 53E5000 for all rental vehicles at airports across the US to receive rate listed above. If Enterprise Rent A Car is not available, the employee must use the most economical rental vehicle service available.

Returning the Vehicle

If you wish to return the vehicle after operating hours you may leave the keys inside the key drop box located in front of their rental office.

Making a Reservation

You have several options when making a reservation with Enterprise.

1. Visit www.enterprise.com to make a reservation. In the reservation screen, use your

designated billing customer number to receive the contracted rates. The Division Fiscal Representative will provide the Division's customer number. Your PIN number is **NCC**. This is a specific billing customer number for the Department of Commerce employees only.

2. Call 1-800-RENT-A-CAR and provide the customer service representative with the customer number.
3. Call the local Enterprise branch directly. This is the option that should be used if a free pick up is needed. Please contact Division's Fiscal Representative, Enterprise website or contact personal from Enterprise for a list of all Enterprise locations. You will find that numerous locations are close to where you live and will be extremely convenient. You may also park your personal car at these locations when picking up a vehicle (airport offices are the exception to this rule).

Billing

Your billing customer number must be provided to have the rental direct billed (contact division fiscal representative) for in-state only. Each division will have an assigned customer number provided by Enterprise (obtained by Division Fiscal Representative) plus the Commerce customer number 53E5000. The employee must provide the two customer numbers in order to rent a vehicle from Enterprise for direct billing.

Road Side Assistance

Road side assistance is provided free of charge for all renters. Please call 1-800-RENT-A-CAR for this option.

Contact Personnel at Enterprise:

Fred Black
Regional Corporate Sales Manager
Fred.c.black@erac.com
Office 919-657-8921

AIRLINE TRAVEL

- All travel utilizing a commercial airline (in-state, out-of-state, out-of-country) must receive prior approval through the BDA process approved by the Secretary or his/her designee. A BDA should be inclusive of all charges to be incurred with the associated expenses. Please attach the approved BDA to the Cash Disbursement Code Sheet and the invoice from the travel agent. If the employee receives reimbursement for the airfare, the canceled ticket/receipt should also be attached to the travel reimbursement form and all proper documentation to accommodate the reimbursement.
- Penalties for ticket changes or cancellation are the responsibility of the individual unless the change is at the direction of or for the convenience of the department; emergency situations are an exception.
- Air travel is reimbursable at actual coach fare only and must be substantiated by a receipt and approved BDA. The only exception is air travel internationally on overseas flights may be

reimbursed at the actual business class fare with an approved BDA. If there are unusual or extenuating circumstances, which should be considered, then a justification and explanation should be attached to the BDA seeking approval for an exception. The airline itinerary must be attached to the reimbursement request. If the employee receives reimbursement for the airfare, the canceled ticket/receipt should also be attached to the travel reimbursement form and all proper documentation to accommodate the reimbursement.

- **Reimbursement for check – in fees is limited to actual costs substantiated by receipt.** "Check-in" fees or "baggage fees" are presently being issued by more and more airlines, bus, or rail services.
- Frequent Flier Miles and Coupons/Certificates earned by a state employee while traveling on state business at state expense are property of the state and shall be used by the state employee on future state business trips.

STATE VEHICLES

- Procedures for obtaining and using state vehicles owned by the Division of Motor Fleet Management (Department of Administration) is set forth in the Rules and Regulations provided by that division. Every individual who uses a permanently assigned state-owned passenger motor vehicle, pickup truck, or van to drive between his official workstation and his home, shall reimburse the state for these trips at a rate computed by the Department of Administration.
- Expenses for state vehicles (gasoline, repairs, etc.) are the responsibility of DOA Motor Fleet Management (MFM). Any reimbursement for purchases made by the individual must be paid by MFM.
- Permanently assigned vehicles must be driven 12,600 miles annually (1,050 miles monthly)
- Car logs should be completed and submitted to FMD (to the attention CASH MANAGER) by the 10th of each new month. If a travel log is not received, the division will be billed the minimum 1050 miles for that month and the actual mileage will be billed, when the travel log is received, on the next billing. The Division Director will be notified that a travel log was not received. **Effective July 2002, the travel log will no longer need to be submitted to Motor Fleet Management, but will be completed on-line.**
- For temporary assigned vehicles, the division must submit a copy of the temporary assignment form to the Cash Manager in FMD after the vehicle is returned to Motor Fleet Management.
- Make certain all information requested on the car log is completed before submission; particularly approved signature, employee driving, destination, purpose of visit and mileage.
- Verify total mileage for month, **Department # and Fund/RCC #**

- Other contact phone numbers for MFM are (919) 733-7776 and (919) 733-7777.

LUNCHEONS / DINNERS / RECEPTIONS / CONFERENCES / OTHER ACTIVITIES HOSTED
BY THE DEPARTMENT

External Conferences

External conferences are those that involve the attendance of persons other than the employees of a single state department, institution or agency. **Payment for meals is allowable if included in the registration fee, but the fee must not consist exclusively of meal or it will not be allowable unless meeting overnight travel criteria.**

Requirements and Limitation for External Conferences

1. Function must be approved in writing in advance by the Secretary's Office through Fiscal Management with details, anticipated expenses, agenda and etc. spelled out.
2. There is written invitation to participants, setting forth the calendar of events, the social activities, if any, and the detailed schedule of costs.
3. Purchases connected with such activities must be approved by the Commerce's Purchasing Officer prior to any commitment; including personal services, use of buses, etc.
4. Assemblies should be held in state facilities; however, non-state facilities can be rented and the cost charged to a state agency without allocation to participants' daily subsistence allowances.
5. Break costs for conferences and etc. are limited to \$4.50 per person per day with a minimum of 20 people required. Prior approval from the Secretary's Office must be obtained. Please provide list of attendees.
6. Individuals within the department are not authorized to sign binding contracts; only the Secretary or his/her designee.
7. A list of attendees and the agenda must be provided with invoices when submitted for payment with the approved Cash Disbursement Code Sheet.
8. Social security numbers must be obtained for payments to individuals for services rendered.
9. Purchases of flowers or gifts are not reimbursable.
10. Registration fees may be charged by the sponsoring department to participants for cost of external conferences.
11. Registration fees may not include costs of entertainment, alcoholic beverages, setups, or flowers. Registration fees collected (refer to FM-11, Cash Management) and not used to defray expenses of the particular conference may not be used for other programs and must revert to the general fund as applicable (G.S. 138-6(a)(4)).

When assemblies are to be held under the sponsorship of a state department in which the funding for all participants is budgeted, lump-sum payments to a conference center or an organization may be made upon written authorization from the Secretary or his/her designee. The authorization must provide:

1. The purpose and duration of the conference.
2. The number of persons expected to attend.

3. The specific meals to be served at the conference (**law prohibits lunches being provided to state employees unless registration fees are charged to all attendees**).
4. The approximate daily subsistence cost per person; and
5. The name of the conference center, hotel, caterer, or other organization providing the service.

It is the responsibility of the divisions to ensure that reimbursement for meals included in the lump-sum payment is not also included in reimbursement payments made to state employees who are conference participants.

Internal Conferences

Internal conferences are those that involve the attendance of employees within that particular department, institution, or agency only. No payment for meals is allowable unless an overnight travel criterion is met. A routine staff meeting or retreat is not an internal conference.

Requirements and Limitations for Internal Conference:

1. The conference is planned in detail in advance, with a formal agenda or curriculum. Function must be approved in writing in advance by the Secretary's Office through Fiscal Management with details, anticipated expenses, agenda and etc. spelled out.
2. There is a written invitation to participants, setting forth the calendar of events and the detailed schedule of costs.
3. No excess travel subsistence may be granted for internal departmental meetings, conferences, seminars, etc., and such meetings must be held in state facilities when available. No registration fee may be charged.
4. Break costs for conferences and etc. are limited to \$4.50 per person per day with a minimum of 20 people required. Prior approval from the Secretary's Office must be obtained. Please provide list of attendees.
5. A department cannot use state funds to support or underwrite a meeting, assembly, conference, seminar, rally, celebration or similar function by whatever name called that promotes any cause or purpose other than the mission and objectives of the department.

These guidelines must adhere to the above regulations for any luncheons, receptions and other activities.

- NO COFFEE, refreshments, cups, paper plates, etc. can be purchased with state funds for routine office use.

CORRECTIONS on Fiscal Management Forms

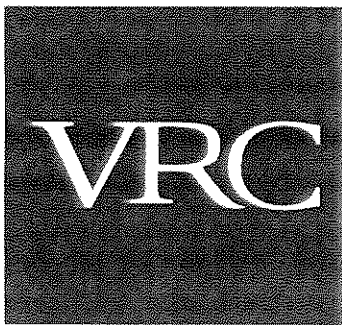
Please do not use white out or correction tape on any Fiscal Management Forms. The employee must mark through the error one time, make the correction, and initial the correction. The forms should be neat which will allow them to be processed in a timely manner.

If the Fiscal Representative from the Division receives a Fiscal Management form with several errors, the form must be redone before submitting to Fiscal Management.

The format of any Fiscal Management form should not be revised to accommodate the division. If the division has a concern or special need, please contact the Fiscal Management Division at 919-733-5940. The CFO of Dept. of Commerce issues approval of all forms generated by the Fiscal Management Division.

The travel reimbursement form allows the mileage rate to be changed. This is the only format that should be changed.

Any forms written in pencil (this includes corrections) will be returned as incomplete to the Division.



Bryan H. Browning, CFA, ASA

bbrowning@valuationresearch.com

414.221.6249

Professional Position

Managing director with Valuation Research Corporation. Specializes in financial studies and in the analysis of intellectual properties and other intangible assets. Mr. Browning conducts intangible-asset, capital stock, business enterprise, and solvency-related valuations. He also performed appraisals of real property.

Authorizations and Certifications

Charterholder of the Chartered Financial Analyst designation (CFA), granted by the CFA Institute

Accredited Senior Appraiser (ASA), The American Society of Appraisers

Education

M.B.A., finance and management, University of Wisconsin-La Crosse, 1981

B.S., economics, University of Wisconsin-Platteville, 1978

Professional Experience

1996 - Present

Rejoined Valuation Research Corporation as vice president and professional services manager-finance. Based in the company's New York and Milwaukee offices.

1993 - 1996

Vice president, Brownstone Associates Incorporated, Milwaukee. Provided financial consulting and advising services relating to corporate mergers and acquisitions and various securities transactions.

1982 - 1992

Various positions with Valuation Research Corporation. Started as financial analyst based in the company's Milwaukee office. Promoted to senior analyst in 1986 and to vice president in 1990. Named division manager and head of San Francisco office in 1991. Responsibilities included engagement management; financial, investment, and valuation analysis; industry and economic research; report writing and review; and client interviews and presentations.

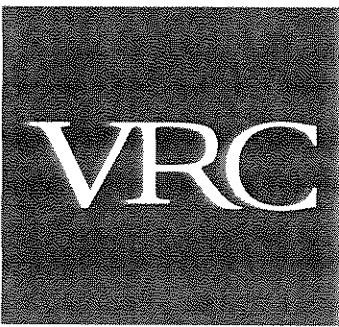
Presentations

"What it Takes to Close Deals Now" for Financial Executives International, March 25, 2008

"Acquisition Valuation Issues – How Much to Pay?" for Milwaukee M&A Conference, May 16, 2006

"Accounting for Business Combinations and Asset Impairment, (SFAS 141, 142 and 144)" for Group of 100, Sydney, Australia, March 2-3, 2005

"Fairness Opinions in a Changing Environment," Valuation Research web seminar, August 7, 2003



Bryan H. Browning, CFA, ASA

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414.221.6249

Presentations (continued)

"Buying, Selling and Transferring a Business," for the Plumbing & Mechanical Contractors Association of Milwaukee, Inc., April 18, 2002

"Biotechnology: Strategies for Value Creation," for Northwestern University, September 29, 2001

"Valuing Privately Held Companies," for the Metropolitan Milwaukee Area Chamber of Commerce, October 26, 2000

"Valuation Trends in Non-Technology Companies," for the Strategic Research Institute, July 13, 2000

"Methods, Trends & Technologies for Valuing the Middle Market Company," for the Strategic Research Institute, October 18, 1999

Middle Market Finance & Investment Symposium, for the Strategic Research Institute, June 28-29, 1999

Published Articles

"True value?," *The Deal*, May 18, 2009

Co-authored "How Do You Put a Price Tag on the Panama Canal?," *The International: Cross Border Transactions Bulletin*, September 2006

Co-authored "Be Aware of Post-Acquisition 'Market Participant' Implications: Impending Fair Value Measurements Statement," *ACG Wisconsin Mergers & Acquisitions*, a *Business Journal* supplement, September 2006

Co-authored "Does Your Transaction Require a Fairness Opinion?," *ACG Wisconsin Mergers & Acquisitions*, a *Business Journal* supplement, September 2004

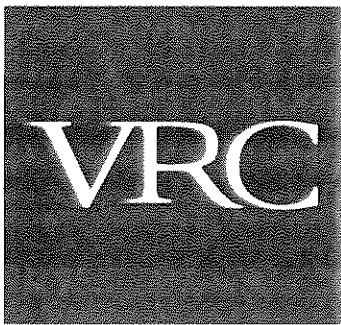
Co-authored "Pre-Transaction Analysis Crucial Due to New Accounting Rules," *ACG Wisconsin Mergers & Acquisitions*, a *Business Journal* supplement, September 2003

Co-authored "What Drives Value Perception Today?," *ACG Wisconsin Mergers & Acquisitions*, a *Business Journal* supplement, September 2002

Major Clients Served

3M Company
Aarrowcast, Inc.
Actuant Corporation
Air Wisconsin
Arby's Restaurant Group, Inc.
Ardent Health Services, Inc.

Associated Banc-Corp
Ataco Steel Products Corporation
Blanchard & Company, Inc.
Borders Group, Inc.
Buffets, Inc.
Cargill, Inc.



Bryan H. Browning, CFA, ASA

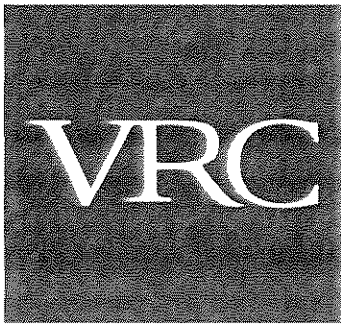
bbrowning@valuationresearch.com
414.221.6249

Major Clients Served (continued)

Centex Corporation	Merge Technologies
Charter Communications, Inc.	MGM, Inc.
Ciber, Inc.	Michael Foods, Inc.
CMGI, Inc.	Miller Brewing Company
Cochrane Compressor Company	Movado Group, Inc.
Computer Sciences Corporation	Newell Rubbermaid
Continental Mortgage Corporation	On Course Technologies, Inc.
Cooper Tire Company	Pabst Brewing Company
Crosstex Energy Services, LTD	Panama Canal Authority
Diesel & Gas Turbine Publications Inc.	PDQ Food Stores, Inc.
Elmwood Financial Corporation	Pennant Management, Inc.
Emmis Communications Corp.	Pentair, Inc.
Heritage Propane Partners, LP	Redox Brands
Huntsman Corporation	Rexnord Corporation
Energy Transfer Partners, L.P.	Riley Construction Co. Inc.
Equitrac Corporation	Salton, Inc.
Expedited Freight Systems	Sat Technology Corporation
Fairmount Minerals, LTD	Schwartz Pharma
Fiserv, Inc.	Sears, Roebuck and Company
Global Pharmaceutical Devel	Sensient Technologies
Golfsmith International Holdings	Shopko Stores
H&M Transportation International	Sommer-Frey Laboratories, Inc.
Harley-Davidson, Inc.	Southland Corporation
Hatco Corporation	Summit Healthcare Facilities
Hyster-Yale	Terra Industries, Inc.
IMC Global Operations, Inc.	The James Company
Interactive Papyrus	Thermoset Inc.
Intermune, Inc.	Third Wave Technologies, Inc.
JCDcaux	Triarc Companies
Johnson Controls Inc.	U.S. Oil Co., Inc
Journal Communications	Unifrax
Kinetic Co., Inc.	Universal Avionics Systems Co.
Kohler Company	Value City Department Stores
Krause Publications, Inc.	Waukee Engineering Co., Inc.
Marconi Communications	Wesray Corporation
Pepsico Inc.	Westinghouse Broadcasting & Cable, Inc.
Permian Corporation	White International
Marquette Medical-Dental Center	Williams Energy Partners, L.P.
MDC Vacuum Products Corp.	Wixon Industries, Inc.
Medtronic, Inc.	Zorn Cochrane Compressor

Expert Testimony

United States District Court, New York, NY, Business enterprise review
Milwaukee Circuit Court, Milwaukee, Common stock valuation
Federal Bankruptcy Court, Dallas, Business enterprise valuation



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Expert Testimony (continued)

Federal Bankruptcy Court, Minneapolis, Business enterprise valuation

Chicago Circuit Court, Chicago, Business enterprise valuation

Federal Tax Court, San Francisco, Equity and controlling voting rights valuation

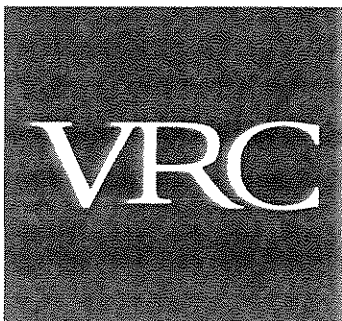
Federal Bankruptcy Court, Milwaukee, Business enterprise valuation

Milwaukee County Court, Milwaukee, Business enterprise valuation

Federal Bankruptcy Court, Worcester, Massachusetts, Solvency opinion

Waukesha County Court, Waukesha, WI, Business valuation

Mr. Browning has also been deposed on several occasions, principally regarding business enterprise valuations.



James T. Budyak, CPA/ABV, CFA, ASA

jbudyak@valuationresearch.com

414.221.6238

Professional Position

Senior vice president and senior financial analyst with Valuation Research Corporation. Mr. Budyak specializes in allocation of purchase price engagements, valuations of closely held stock, fairness and solvency opinions, bankruptcies and restructurings, and litigation support. He has extensive experience with income tax and financial reporting audits and has been deposed on valuation matters.

Authorizations and Certifications

Accredited Senior Appraiser (ASA), American Society of Appraisers

CFA charterholder

Certified Public Accountant (CPA), AICPA

Accredited in Business Valuation (ABV), AICPA

Education

M.B.A., double major: finance, investments & banking, computer-based information systems, University of Wisconsin – Madison, 1982

B.B.A., accounting, University of Wisconsin – Madison, 1979

Professional Experience

2006 – Present

Senior vice president and senior financial analyst, Valuation Research Corporation's Milwaukee office.

1985 – 2006

Various financial valuation positions with American Appraisal Associates.

1983 – 1985

Computer analyst, Wisconsin Bell

1982 – 1983

Auditor, Peat Marwick Mitchell

1979 – 1982

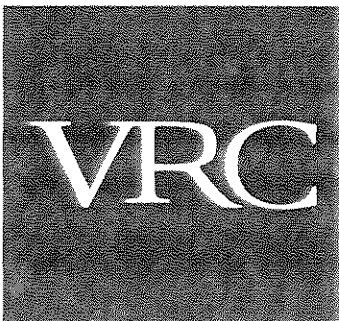
Accountant, Standard Oil Company, Indiana

Publications

"Discount Rate Considerations: A Market Participant Perspective," *Valuation Strategies*, July 2008

"Developing Discount Rates in a Global Environment," The Canadian Institute of Chartered Business Valuators, 2007 Journal of Business Valuation.

"Valuation Discounts are Linked to Capital Markets," Business Valuation Resources Guide to Discounts for Lack of Marketability, 2007



James T. Budyak, CPA/ABV, CFA, ASA

jbudyak@valuationresearch.com

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Publications (continued)

"Getting Your Head Out of the Model: Due Diligence and Developing International Cost of Capital," *Business Valuation Update*, May 2006

"Developing Discount Rates in a Global Environment," *Valuation Strategies*, January 2006

"The Valuation of Collateral," (co-author) *The Secured Lender*, July/August 2005

"The Smart Way to Buy a Money Loser," (contributing author) *Mergers & Acquisitions*, October 2001

"Developing Discount Rates in a Global Environment," *Valuation Strategies*, May/June 2001

"Getting a Grip on Foreign Discount Rates," *Shannon Pratt's Business Valuation Update*, January 2000

"International Cost of Capital," *Handbook of Advanced Business Valuation*, Chapter 2, pp. 25-53, McGraw-Hill, 1999

"Discount Rates for Foreign Investments," *Valuation Strategies*, July 1998

"Estate Freeze Rules Affect Partnership Valuation Discounts," *Taxation for Lawyers*, January 1997

"Estate Freeze Rules Affect Partnership Valuation Discounts," *Taxation for Accountants*, 1996

Presentations

"Discount Rate Considerations in a Global Environment. A Market Participant Viewpoint," American Society of Appraisers Advanced Business Valuation Conference, San Diego, October 2007

Chicago M&A Conference, "Acquisition Valuation Issues" (Panel), Chicago, June 2007

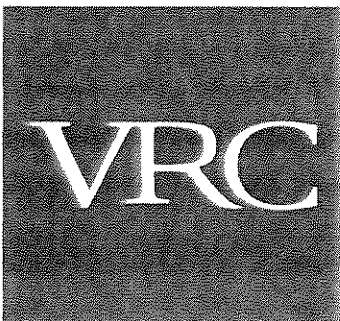
"Hot Valuation Topics for Tax Professionals," Milwaukee Tax Club, March 2007

"Current Valuation Issues Affecting Financial Statement Preparation," CITE Advanced Tax Accounting Update, Chicago, November 2006

"Discount Rates in a Global Environment," ASA-CICBV Joint Business Valuation Conference, Toronto, October 2006

"International Cost of Capital," ASA-AICPA Joint Advanced Business Valuation Conference, Las Vegas, 2005 (also key conference planner)

"Developing Discount Rates in a Global Environment," ASA Center for Advanced Studies, Denver, April 2002, Atlanta, September, 2002



James T. Budyak, CPA/ABV, CFA, ASA

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Presentations (continued)

"Developing Discount Rates in a Global Environment," American Society of Appraisers International Conference, Pittsburgh, 2001

"Establishing Discount Rates in Global Markets," Merger and Acquisition Valuation for CFOs, Federated Press Conference, Toronto, 2001

"Discount Rates for Foreign Investments," American Society of Appraisers 18th Annual Advanced Business Valuation Conference, New Orleans, 1999

"Developing Discount Rates for Foreign Investments," ASA, Princeton Chapter, 1999

"Developing Discount Rates for Foreign Investments," ASA, Wisconsin Chapter, 1998

"Valuation Issues for Intellectual Property," Delegation of the State Science and Technology Commission of the People's Republic of China," Milwaukee, 1997

"Business Valuation Issues for Estates and Mergers and Acquisitions," Association for Corporate Growth, Pittsburgh Chapter, 1997

"Business Valuation Issues for Attorneys," Jenner & Block, Chicago, 1997

Professional Affiliations

Member, CFA Institute

Member, Milwaukee Investment Analyst Society (past board member)

Member, American Society of Appraisers (past board member - Business Valuation Committee)

Member, Wisconsin Institute of Certified Public Accountants

Member, American Institute of Certified Public Accountants

Major Clients Served

Banking, Insurance and Financial Services

Discount Brokerage Co.

Fiserv

Marshall & Ilsley Corp.

Metavante Corp.

M&I Investment Management

New American Savings & Loan

National Re Holdings

Prudential Insurance Co. of America

Distributors

Cochrane Compressor

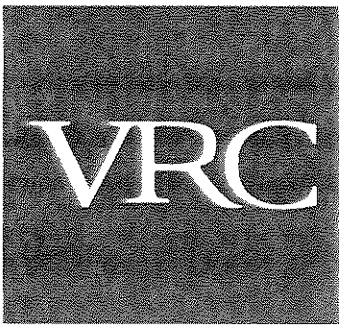
Duncan Systems, Inc.

Hastings Air-Energy

Industrial Controls

Wisconsin Paper

York International



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Major Clients Served (continued)

Gaming & Casino

Bally's Grand
Bally's Las Vegas
Del Webb's Mint
Del Webb's High Sierra
Del Webb's Nevada Club
Desert Inn Hotel & Casino
Greenwood Racing
Holiday Casino
Harrahs Reno
Harrahs Tahoe
MGM Grand
MGM Sands
Ocean Showboat
Showboat Inc.

Investment Companies

Acadia Partners
Bain Capital
Blackstone Capital Partners
Carlyle Group
First Analysis Corporation
Lord Baltimore Corporation
Oakhill Strategic Partners
Thomas Lee

Manufacturing, Metals and Mining

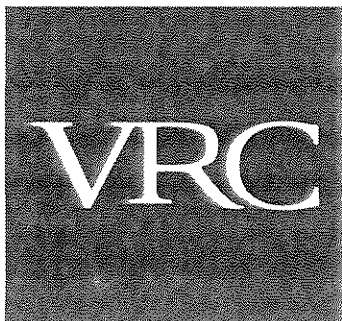
Actuant/Applied Power
Allen Bradley
Aluminum Holdings
Alvey Holdings
Bardes Corporation
Circuit Controls
CSR Limited
Delphi Automotive Systems
Delco Electronics
Eaton Corporation
Emerson Electric
Fibercast Corporation
General Motors
Giddings & Lewis
GTE Rotaflex
Horsehead Industries
Hoyt Brumm & Link
Industrial Dielectrics

Consumer Products

American Cold Storage
Beatrice Foods
Big Bear
Carolina Byproducts
Caterair International
Company Store
D. Canale & Company
Del Monte Foods
Kraft Foods
Mohasco Corporation
Morse Shoe
Nash Finch
National Pizza Company
Oral-B Labs
Playtex Holdings
Reynolds American
Reyes Holdings
Richardson Vicks
Quality Sausage
Seaman Furniture
Smithkline Beckman
Speciality Retailers
Travel Centers of America
Triumph Health Care

Energy, Chemicals and Related

Aristech Chemical (USX)
Ashland Oil
Dow Corning
Exxon Mobil Corporation
Equilon Motiva
Himont Chemicals
Koch Industries
Marathon Oil Corporation
Mitsubishi Chemicals
Monsanto
Motell Polyolefins
Motecatini, Grupo Montedison
Nalco
Reichhold
Royal Dutch Shell Group
Shell Chemicals
Soymor Cooperative
Total Elf Fina



James T. Budyak, CPA/ABV, CFA, ASA

jbudyak@valuationresearch.com

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Major Clients Served (continued)

Manufacturing, Metals and Mining

Invista
Johnson Controls
Kaiser Aluminum
Koch Industries
Morris Material Handling
Noranda Aluminum
Owens Corning
Owens Illinois
Toyota Manufacturing
Twin Disc
UGS Corp.
United States Steel
W.R. Grace

Printing, Paper and Packaging

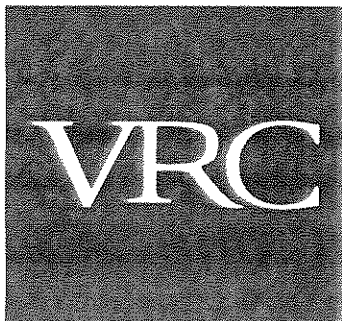
Boise Cascade
CST Office Products
Detroit Paper Mill
Fort Howard
Georgia Pacific
Great Northern Paper
Grand Slam Corporation
Harnischfeger (J&L Plate)
Ivex Packaging
Mead Corporation
Nekoosa Packaging Company
Printpack Europe
Repap Corporation
Smurfit Packaging
Stone Container
Verso Paper
Whiting Paper

Hotel, Lodging and Related

Choice Hotels
Econo Lodge
Friendship Inns
Hilton Hotels
Host Marriott Corporation
Host Marriott Travel Plazas
Manor Care
Marriott Corporation
Marriott International
Rodeway Inns

Media & Telecom

AirGate
American Media Incorporated
Bell & Howell
Media General
Park Communications
SPI Holding
Superior Telecom
Viacom International



Anthony D. Law

alaw@valuationresearch.com

414.221.6217

Professional Position

Senior vice president and supervising appraiser-finance with Valuation Research Corporation. Mr. Law specializes in allocation of purchase price engagements, business valuations, and valuations involving trade names, licensing, proprietary technologies, and other intangible assets. He also develops opinions of value regarding solvency and fairness issues. In addition to his business valuation experience, Mr. Law has extensive experience in financial, M & A, and capital raising advisory services to middle market companies throughout the United States.

Authorizations and Certifications

Completed Level 2, Chartered Financial Analyst, Candidate Level 3

Education

M.B.A., finance and accounting, University of Chicago Graduate School of Business,
Chicago, Illinois, 1994

B.S., electrical engineering, University of Illinois, 1987

Professional Experience

2003 – Present

Member of the professional staff of Valuation Research Corporation.

2003

Independent Consultant, Chicago. Provided management consulting focused on valuation, strategic and tax planning, M & A, and capital sourcing.

2001 – 2002

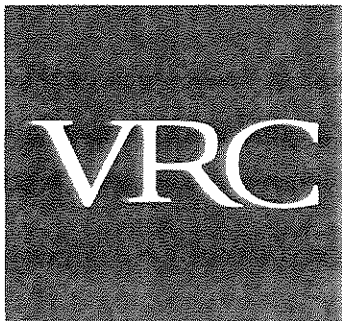
Financial and technical consultant, Sargent & Lundy LLC, Chicago. Provided financial and technical due diligence support to investors, lending institutions, developers and owners of major fossil-fueled and solar electric generating stations throughout the world.

1998 – 2001

Assistant vice president, Dresner Companies, Inc., Chicago. Advised on buy-and sell-side, and capital raising transactions for privately-held businesses in the manufacturing, consumer goods, education and technology industries. Managed and established formal valuation practice.

1994 – 1998

Senior Consultant, Financial Advisory Group, Deloitte & Touche, Chicago. Performed business valuations for middle market businesses for such purposes as litigation, strategic planning, estate and tax planning, restructurings and buy-sell agreements.



Anthony D. Law

alaw@valuationresearch.com

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Professional Experience (continued)

1989 – 1993

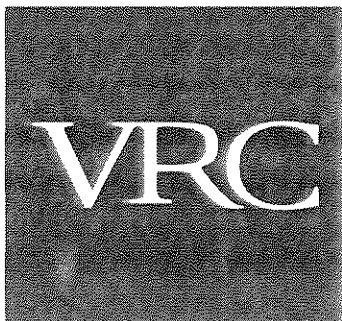
Control and Instrumentation Engineer, Sargent & Lundy Engineers, Chicago. Designed and implemented computer control systems for major international and domestic fossil-fueled, gas fired and solar electric generating stations.

1987 – 1988

Electrical engineer, Cybernet Systems Management, Inc., Schaumburg, Illinois. Designed and implemented control systems for the food and chemical industries.

Major Clients Served

AT & T (Computer Division)
Bank One (formerly American National Bank)
Bass Pro Shops, Inc.
Borden, Inc.
Charter Communications, Inc.
Commonwealth Edison
Fairmont Minerals, Ltd.
Fiserv, Inc.
Fiskar Brands, Inc.
Illinois Power
International Finance Corporation
Kraft Foods
LaSalle Bank
Leggett & Platt, Inc.
Luz Industries
Marconi Communications
Michael Foods
Salton, Inc.
Sears, Roebuck and Co.
TXU Energy
Vutek, Inc.
Westdeutsche Landesbank



John C. Bintz

jbintz@valuationresearch.com
312.957.7505

Professional Position

Managing director with Valuation Research Corporation. Mr. Bintz specializes in the legal, corporate, hedge fund and private equity marketplace with a concentration on financial transactions including mergers and acquisitions.

Education

M.B.A., finance and economics, University of Chicago Graduate School of Business,
Chicago, 1995
B.A., financial administration, Michigan State University, 1986

Professional Experience

2006 – Present

Member of the professional staff of Valuation Research Corporation.

1997 – 2006

Founder and president, Apple Tree Investments, Chicago. Directed numerous investment banking assignments involving client relationships, deal origination, contract negotiation, due diligence, valuation analysis, and strategic planning.

1996 – 1997

Associate, Dresner Investment Services, Inc., Chicago. Involved in private equity transactions and mergers and acquisitions activities in the middle market arena.

1995

Vice president, Tucker Anthony, Inc., Chicago. Actively identified, originated, and cultivated long-standing relationships with institutional money managers in underdeveloped territories.

1993 – 1995

Vice president, Donaldson, Lufkin & Jenrette Securities, Chicago.

1987 – 1992

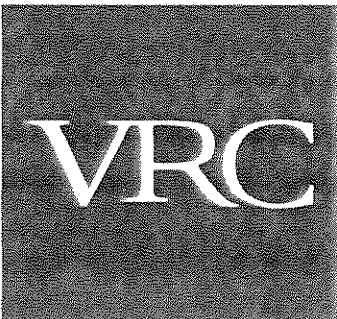
Vice president, Hutchinson, Shockey, Erley & Co., Chicago.

Seminars and Presentations

Illinois Venture Capital Association Presentation – “9th Annual Illinois Venture Capital CFO Summit,” (Panelist), October 2009

ACG International Conference – “Beyond Global Turmoil: Cross-Border Strategies for Surviving and Thriving,” (Moderator), June 2009

“PE Analyzing Your Private Equity Portfolio: Seven Critical Issues That You Don’t Want To Miss,” (Co-Host with Neal, Gerber, Eisenberg and Panelist) June 2009



John C. Bintz

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Seminars and Presentations (continued)

"As the Dust Settles: What Lies Ahead for Alternative Investment Firms," (Co-Host with Drinker Biddle & Reath LLP and Panelist), February 2009

Illinois Venture Capital Association, Forum, (Panelist), 2008

Midwest Private Equity Conference, "Current State of the M & A and Debt Markets" (Panelist), 2008

Chicago M & A Conference, "Acquisition Valuation Issues" (Panelist), Chicago, June 2007

Numerous accredited State of Illinois MCLE Presentations on Valuation

Professional Affiliations

Member, Association for Group Growth (ACG), Awards & International Committees

Member, Turnaround Management Association (TMA)

Midwest Chapter of the Hedge Fund Association (HFA), Founding Member

DePaul University, Adjunct Professor, Department of Commerce

Guest Lectures

University of Chicago; Booth School of Business

Michigan State University; Accounting Faculty and Students

Illinois Institute of Technology

Northwood University

DePaul University; Coleman Entrepreneurship Center

University of Chicago New Venture Challenge judge (6 years) Business Plan competition

Illinois CPA Society

TV & Radio

Over 300 shows as guest and host commentator (economics and financial analysis):

WebFN

First Business

E*TRADE Radio

Major Clients Served

4 Life Research

Albertsons

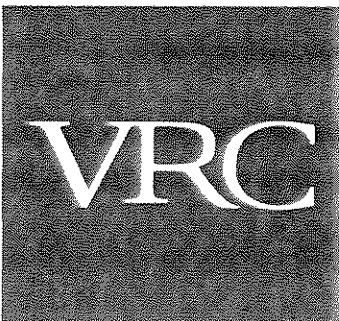
Amstead Industries

Andrew Corporation

Anixter

APS Healthcare

Baird Capital Partners



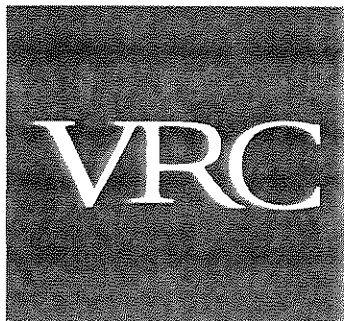
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Major Clients Served (continued)

Boise Cascade
Bolder Capital
Brentwood Associates
Brook Furniture Rental
Brown Brothers Harriman
Buffalo Wild Wings
Citadel Investment Group
Coast Asset Management
ConvergEx Holdings
Covanta
Draper and Kramer
Edgewater Funds
Fifth Third Bank
First Analysis
Foley and Lardner
Gardner Denver
GTCR Golder Rauner
Harris Bank
Hopewell Ventures
Initiate Systems
John Nuveen and Co.
Jordan & Co.
JPMorgan Chase
Keeley Asset Management
Kirkland and Ellis
Landmark Aviation
LaSalle Capital Group
Madison Dearborn Partners
Partners HealthCare
Playboy
Rita Restaurant Corporation
Sorenson Communications
Sterling Capital Partners
Trustwave Holdings
View Sonic
Wickes Furniture
Willis Stein & Partners
Ziff-Davis



William J. Hughes

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Professional Position

As Co-CEO, senior executive vice president and senior managing director with Valuation Research Corporation, Mr. Hughes manages the professional, business development and administrative staffs of the Central and Western Regions. In addition, he is responsible for the development and quality execution of client engagements.

Education

Master of Science, DePaul University, Chicago, Illinois

Bachelor of Business, Western Illinois University, Macomb, Illinois

Professional Experience

1999 - Present

Member of the professional staff of Valuation Research Corporation.

1997 - 1999

Director of business development, Arthur Andersen, LLP, Chicago. Responsible for the development and implementation of an effective business development environment to support the sales growth objectives of the Arthur Andersen Business Consulting Practice. Among Mr. Hughes' more significant accomplishments was the development and implementation of a Business Developer Sales Group responsible for contributing 33 million of new business annually.

1993 - 1997

Business development manager, Arthur Andersen, LLP, Chicago. Responsible for new client business opportunities for the Arthur Andersen Business Advisory, Tax and Consulting Services. Focus areas included wholesale/distribution, consumer products, architectural/engineering/construction, advertising, and healthcare.

1991 - 1993

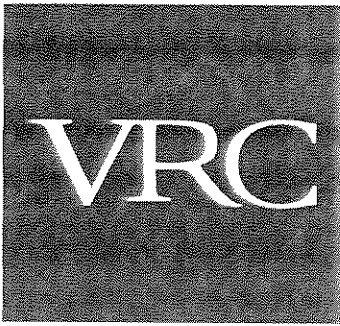
District sales manager, CGI Systems, Rosemont, Illinois. Facilitated the sale of an integrated CASE software product line and CASE consulting services in a 12-state region.

1987 - 1991

Regional sales manager, Unisys, Joseph & Cogan Associates, Westlake Village, California. Sold strategic consulting services and software packages to upper management in large, targeted I/S accounts.

1982 - 1987

Sales representative, Honeywell Corporation, Minneapolis, Minnesota. Responsible for the sale of microprocessor based and electrical control systems for commercial and industrial buildings.



William J. Hughes

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Professional Experience (continued)

1981 - 1982

Sales Engineer, Precision Enterprises Ltd., Glen Ellyn, Illinois. Developed an industrial sales territory and maintained existing accounts. Primary markets in the metal forming industry.

Professional Affiliations

Member, Association for Group Growth, International Committee

Member, Turnaround Management Association

Member, Midwest Chapter of the Hedge Fund Association (HFA)

LOIS SCOTT**PRESIDENT AND CO-FOUNDER**

◆ *Financial Strategy* ◆ *Swaps and Derivative Structures* ◆ *Debt Structures* ◆
◆ *Rating Agency Strategy* ◆ *Privatization Finance* ◆

Lois, co-founder of Scott Balice Strategies, heads the Public Sector Advisory Team with 24 years experience at the highest levels of finance, management, strategic planning and government policymaking. The firm has been ranked as the Midwest's #1 Financial Advisory team, with more bankers on the ground in Chicago than most underwriters and an office in Anchorage. Lois's national reputation has been formally honored on numerous occasions, including earning "Deal of the Year" recognition by two leading financial and government journals in 1997, and again in both 2005 and 2006.

PROFESSIONAL BACKGROUND

- Helped found and lead the Chicago Public Finance practice for Donaldson Lufkin & Jenrette, Banc of America Securities and LF Rothschild
- Key participant in public sector and nonprofit projects worth over \$35 billion, including over 300 assignments
- White House Fellow and subsequent Chair of the Management Committee of the Export-Import Bank of U.S.
- Financial Advisor or underwriter for government issuers in 15 states: AK, AZ, CA, DE, FL, IL, IN, MD, MI, MO, NJ, NY, OH, OK, PA, TN and WV

PROFESSIONAL AFFILIATIONS

- Government Accounting Standards Board Derivatives Task Force Member, charged with providing state-of-the-industry analysis to an advisory task force
- Co-founder of the Women in Public Finance Conference, a 500+ person annual conference supporting the work of women in the public finance field nationwide
- Actively involved in community organizations, presently serving as a Board or committee member for National Louis University, Leadership Greater Chicago and the White House Fellows Association

EDUCATION

- BS and MBA with honors from Cornell University. Accepted in the joint registrant program at age 19
- Awarded the Ives Award, Cornell's highest award for academic excellence and graduated #11 from her undergraduate college while taking a full load of graduate level courses and teaching accounting

REPRESENTATIVE CAPITAL AND DERIVATIVE MARKET TRANSACTIONS***Chicago Transit Authority***

Lead Financial Advisor for four landmark CTA transactions

- Series 2008 \$2.0 billion taxable POBs
- Series 2008 \$120 million municipal lease transaction to acquire articulated buses
- Series 2006 \$119 million restructuring of lease appropriation credit for financial flexibility
- Series 2004 \$250 million securitization of 5307 grant revenue

Municipal Improvement Corporation of Los Angeles

Transaction execution and pricing support for Series 2008 \$144.9 million refunding of commercial paper program into fixed rate bonds

Alaska Railroad Corporation

Lead Financial Advisor for firm in landmark Series 2006 5307/ 5309 bond financing, the first bond in its 92 year history

Lead Financial Advisor for firm in follow-on financing in 2007

Illinois State Toll Highway Authority

Midwest "Deal of the Year" winner for 2006 work as financial advisor to the Tollway, tackling the challenges of architecting the financial plan for an historic \$5.3 billion capital program, developing a policy framework for interest rate swaps, and negotiating and executing the Tollway's first swap financing - freeing millions for road improvements

LOIS SCOTT

City of Chicago

Financial and swap advisor over several years including:

- Series 2008 Motor Fuel Tax Bonds, a 2-year engagement
- Constant Maturity Swap related to General Obligation Bonds, 2006
- Solar Panel tax credit analysis, 2005-2007
- Water Revenue Refunding Bonds, Series 2004

Illinois Finance Authority

Financial advisor to one of nation's leading issuers, representing over \$2.5 billion in new issue volume each year for over 100 transactions. Key responsibilities include:

- Lead advisor on all health care transactions issued through the State conduit
- Lead advisor on housing transactions issued by IFA
- FA on numerous power transactions, including clean/green technologies
- Developing financing structures to accommodate State priorities

REPRESENTATIVE P3 AND STRATEGY TRANSACTIONS

Illinois Lottery

Project Leader for largest concession sale ever launched, an estimated \$10 billion transaction. Coordinating the work of legal and financial advisors, developing communication strategy, designing bidding process and structuring the business package

U.S. Department of Transportation – Office of the Inspector General

Key team member for assignment to assess the pros and cons of privatization (P3) vs. traditional financing methods in the U.S.

Sound Transit (Seattle)

Team leader for Scott Balice to develop market access and alternative financing options for capital and debt financing programs

Navy Pier Parking Relocation Assessment

Analyzed funding and financing options for potential parking facility relocation to free up space within Chicago's #1 tourist attraction to add more diverse and commercially viable venues on the Pier

Tennessee State Funding Board

Senior advisor to State Funding Board (consisting of constitutional officers of the State) and the Department of Transportation in evaluating tolling and P3 alternatives to finance needed transportation improvements statewide

Illinois Sports Facilities Authority

Team leader for analysis of funding and financing options, including comprehensive analysis of revenue options, privatization and commercial redevelopment of adjacent parking lots.

Alaska International Airports System

Assisted Scott Balice team with assessment of restructuring options relating to Series 2006C \$50 million variable rate revenue bonds, due to downgrade of MBIA bond insurance

University of Illinois

Financial Advisor to one of nation's largest university systems. Work includes:

- Certificates of Participation for academic and related needs
- Health care financing needs
- Credit rating defense, resulting in 3 consecutive rating upgrades since being retained in 2005
- Assist with assessment of restructuring options relating to downgrade of bond insurers, illiquidity of commercial banks providing backup facilities and related interest rate swap transactions

Chicago Children's Museum

Senior advisor to prominent cultural organization planning for a major capital plan. Oversaw development of cash flow models to reflect fund raising plans, debt strategies and investment alternatives.